

Message Text

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ACTION COME-00

INFO OCT-01 EA-07 IO-13 ISO-00 AGR-05 CEA-01 CIAE-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

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P R 300757Z JUL 76

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 8618

INFO USDEL MTN GENEVA

C O N F I D E N T I A L SEOUL 5902

E.O. 11652: GDS

TAGS: ETRD MTN KS

SUBJ: TROPICAL PRODUCTS NEGOTIATIONS - POSSIBLE REQUEST LIST

ITEMS - GREYHOUND BUSES AND PORTS

REF: STATE 167086

1. GREYHOUND REPRESENTATIVE STATES THAT FIRM WOULD HAVE IMPORTED TWENTY MOTOR COACH INDUSTRIES NEW FULLY-ASSEMBLED 41 PASSENGER AIR-CONDITIONED BUSES PRICED AT \$66,655.05 EACH F.O.B. PEMBINA, NORTH DAKOTA.

2. COMPANY HAS PERMISSION TO IMPORT SEVEN BUSES IN 1976 ON CONDITION THAT IT PURCHASES FIVE GM KOREA BUSES LOCALLY, BUT WOULD RATHER IMPORT TWENTY ADDITIONAL NEW BUSES PLUS THIRTEEN NEW BUSES TO REPLACE A LIKE NUMBER TO BE SCRAPPED. PRESENT FLEET IS 80 IMPORTED BUSES (PLUS THE FIVE LOCAL ONES) FOR WHICH AN 8 TO 10 PERCENT ANNUAL FLEET REPLACEMENT FACTOR IS BELIEVED TO BE REASONABLE.

3. FIRM PRESENTLY BUYS "LINKED-DOLLARS" FOR IMPORTING PARTS.

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THE COST OF "LINKED DOLLARS" IS ABOUT 3 PERCENT AND FOR EACH

DOLLAR OF PARTS IMPORTED, FIRM MUST BUY FIVE DOLLARS WORTH OF LOCALLY PRODUCED PARTS. FIRM IS UNABLE TO ESTIMATE IMPUTED VALUE OF PARTS WHICH MIGHT HAVE BEEN IMPORTED IF RESTRAINTS DID NOT EXIST BECAUSE PURCHASING DECISIONS WOULD HAVE BEEN SO RADICALLY DIFFERENT.

4. GREYHOUND'S PRINCIPAL NEEDS ARE FOR PARTS FOR THE "HEART" OF DIESEL ENGINES SUCH AS SLEEVES, PISTONS, PISTON RINGS, BEARINGS AND CRANKSHAFTS. FIRM REP INDICATES THAT KOREA GREYHOUND CAN "MAKE DO" WITH LOCALLY PRODUCED GASKETS, HOSES, ETC., BUT WOULD PREFER NEOPRENE SEALS AND HIGHER QUALITY HOSES.

5. FIRM'S IMMEDIATE NEED THEREFORE FALLS INTO BTN 8702.41 BUSSES; 8406.71 ENGINES; 8406.92 PISTONS AND RINGS; AND 8406.95 CYLINDERS AND CYLINDER BLOCKS, ALL FOR HIGHWAY BUSSES. STATUS OF DUTY AND NTM'S IS AS FOLLOWS: EX 8702.41 BUSSES 80 PERCENT (BANNED); EX 8406.71 ENGINES 50 PERCENT SUBJECT TO "SEPARATE ANNOUNCEMENT" WHICH ESTABLISHES TRADE ASSOCIATION SCREENING; EX 8406.92 PISTONS AND RINGS 40 PERCENT RESTRICTED BY "SEPARATE ANNOUNCEMENT" VIZ. TRADE ASSOCIATION SCREENING; EX 8406.95 CYLINDERS AND CYLINDER BLOCKS 40 PERCENT RESTRICTED BY "SEPARATE ANNOUNCEMENT" VIZ, TRADE ASSOCIATION SCREENING.

6. IN PRACTICE DIFFICULTIES AND DELAYS ARISE FROM THE FACT THAT ASSOCIATIONS CONSIDER THAT ENGINE PARTS CAN BE MADE IN KOREA, WHILE GREYHOUND HAS FOUND THAT LOCAL ONES DO NOT MEET ITS QUALITY REQUIREMENTS. IMPORT DEPOSITS FOR ALL THE FOREGOING WOULD BE 110 PERCENT WITH 90 DAY RETENTION PERIOD FOR L/C IMPORTS, AND 40 PERCENT FOR USANCE OR D/A IMPORTS. ALL THE PARTS IN QUESTION WOULD BE OF US MANUFACTURE.

7. FOREIGN EXCHANGE LINKAGE REQUIREMENTS APPLYING TO AUTOMOTIVE PARTS IMPORTS HAVE RECENTLY BEEN LIBERALIZED. UNTIL JULY 1, 1976 IMPORTERS/EXPORTERS COULD OBTAIN FOREIGN EXCHANGE EQUAL TO 50 PERCENT OF THE VALUE ADDED IN KOREA TO THEIR EXPORTS OF MACHINERY PARTS. THEY ARE NOW AUTHORIZED FOREIGN EXCHANGE EQUAL TO 40 PERCENT OF THE TOTAL VALUE OF THEIR EXPORTS. KOREA GREYHOUND IMPORTS ON ITS OWN ACCOUNT BUT DOES NOT EXPORT, HENCE THE NECESSITY TO PURCHASE "LINKED DOLLARS" REFERRED TO IN PARA 3.

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Margaret P. Grafeld
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